

6 JUN 1978

MEMORANDUM FOR: Deputy Director for Administration
FROM: Director of Central Intelligence
SUBJECT: Contracting Procedures on Security

1. I read your memo on the progress with inserting more security considerations into our contracting. Since then I have had one additional thought.

2. You indicated that before we can modify the contracts themselves we have to clean up our security regulations to make them more explicit. That is certainly worth doing in any event. At the same time, I'm not sure that my primary objective in contracting is related to the security regulations we promulgate. What I am most specifically interested in is a "performance clause." What I have in mind is a clause that says if it is determined that security information has leaked out of the contractor's organization it is subject to penalties. This is not a question of whether he followed rules such as three combination safes and two locks on the doors, etc., but simply a question of whether there was a leak attributable to his operation. Clearly in the [redacted] case this would have been operative. In many others, it would be difficult if not impossible to adjudicate responsibility. There would also be difficult issues as to whether the contractor is responsible for an employee who is too garrulous in a bar as opposed to the physical removal of classified data or equipment from his plant. I don't know how all of these would be worked out, but it seems to me consideration of this type of provision need not await a better definition of our security procedures.

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STANSFIELD TURNER

MORI/CDF

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